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**PROMOTER OF FAKE TAX SHELTER PLEADS GUILTY IN U.S. COURT;  
USED INCOME FOR CARS, BOAT, FURS, JEWELRY AND ARTWORK**

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, announced that ROBERT KENNETH KRAFT, a former tax preparer, pled guilty today in Manhattan federal court to tax fraud charges in connection with his promotion of a fake tax shelter program that resulted in the underpayment of federal income tax by KRAFT's clients of more than \$10 million, and by KRAFT himself of more than \$600,000.

According to his guilty plea and the criminal Information filed in the case, from 1995 through October 1998, KRAFT held himself out as a tax advisor and tax preparer for high-net-worth individuals. By means of various false statements, KRAFT convinced some of his clients to participate in what KRAFT represented to be a legitimate offshore tax shelter program. According to the Information, there was no such tax shelter program, legitimate or otherwise. Instead, as KRAFT admitted at his guilty plea, KRAFT simply prepared partnership tax returns claiming more than \$28 million in false partnership

losses, and then incorporated those phony losses in his clients' individual income tax returns fraudulently to offset their taxable income and reduce their tax. KRAFT's scheme resulted in federal income tax due and owing by KRAFT's clients of more than \$10 million.

In addition, according to his guilty plea and the Information, KRAFT failed to report or pay tax on the money he received from his clients as purported investments and fees relating to this phony tax shelter program. KRAFT failed to file any personal income tax return for 1996, despite the fact that he received more than \$540,000 in connection with his tax preparation work that year. And, when KRAFT prepared and filed a personal income tax return for 1997, KRAFT reported gross receipts for his work of approximately \$100,000, when he had in fact received more than \$930,000 in that year in connection with his tax preparation work.

According to the Information to which he pled, KRAFT used his unreported and untaxed income to purchase cars, jewelry, a boat, furs and artwork. For example, in 1996 and 1997, KRAFT spent over \$175,000 on cars, over \$75,000 on jewelry, and over \$55,000 on a boat and boat maintenance. By failing to report his income for 1996 and by fraudulently understating his income for 1997, KRAFT evaded more than \$600,000 in federal income tax.

KRAFT's sentencing is scheduled for February 7, 2005, at 4:00 p.m. before United States District Judge LORETTA A. PRESKA. KRAFT faces a maximum term of imprisonment of 3 years

for the preparation of false tax returns charge, and 5 years for the tax evasion charge, as well as a maximum fine on each count of \$250,000 or twice the gross gain or loss resulting from the offense.

KRAFT, 54, lives in Staten Island, New York, according to court records.

Mr. KELLEY praised the efforts of the New York Criminal Investigation field office of the Internal Revenue Service.

Assistant United States Attorney JUSTIN S. WEDDLE is in charge of the prosecution.

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